

Manufacturing Newsletter

United States Commercial Service – Mexico

October 2005



Regular letter from Commercial Officer

Fall has been a steady season here in Monterrey. We participated in METALFORM 2005, which is a tradeshow with a wide variety of representation from the metalforming market in North America.

In addition to participating in METALFORM 2005, we also hosted a WEBEX entitled “Changes in Wood Packing Materials Regulations” to explain guidelines for the new standards imposed on exporting with wooden packaging to U.S. exporters. It is very important to be aware of the new packaging regulation, as it affects the export of many products.

[Link 1](#)

Table of Contents:

- 1. Welcome Letter**
- 2. MetalForm**
- 3. News**
- 4. Automotive**
- 5. Wood Packing**
- 6. Upcoming Events**

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MetalForm Mexico 2005

CS Monterrey participated actively in Metalform Mexico 2005. Commercial Officer Daniel Crocker attended a breakfast briefing to offer insight on the Monterrey and other Mexican manufacturing markets. During exhibit hours, Commercial Officers Daniel Crocker and Aaron Held and Senior Commercial Specialist Ernesto de Keratry counseled U.S. companies on site about the Commercial Service's products and services and provided the companies with insights into their potential market.

Metalform hosted a total of 96 exhibitors of which 54 companies came directly from the United States.

[Link 2](#)

News

New Industrial Park- Juarez, Mexico

The Ministry of the Economy authorized a special investment of 5.2 million pesos to build an industrial park for companies devoted to the manufacture of machined products.

[Link 3](#)

New Developments in the Automotive Industry

With a direct investment of over \$1.2 billion, Ford Motor Co. inaugurated new facilities in Hermosillo, Sonora, Mexico. Their target is to assemble 350,000 cars per year. This new section is part of their **mega plant**.

Auto parts suppliers also invested an additional \$400 million in warehouse and buildings within the complex in order to be able to supply parts and components in a just-in-time manner.

Reminder of Regulatory Changes in Wood Packing Materials

Effective September 16, 2005 the United States, Mexico, and Canada implemented a change in wood packing materials regulations due to an international pest management issue. It is important to be aware of the packaging changes, as they affect regulations of many exports, and a lack of understanding may prove to be costly.

[Link 5](#)

Expomanufactura 2006

Is your company involved in the manufacturing process? Are you ready to do business with one of the U.S.'s biggest and most important trading partners? If so, we encourage you to exhibit your product as part of the **USA Pavilion** at the 12th Annual **EXPO MANUFACTURA™**, Mexico's largest and most important industrial trade show to be held on March 7-9, 2006 in Monterrey, Mexico. For more information on exhibiting in the **USA pavilion at EXPO MANUFACTURA™**, contact Ernesto de Keratry at Ernesto.dekeratry@mail.doc.gov



Dear Reader,

Welcome to the most recent edition of our Marketing to Manufacturers in Mexico Newsletter! In publishing this latest newsletter, our office here at the American Consulate General in Monterrey, Mexico, has been working hard to provide you with useful and timely reports and articles designed to help you grow as a manufacturer. But our newsletter is only one aspect of our Marketing to Manufacturers in Mexico program. This program also consists of business matchmaking visits to Mexico, video and teleconferences held between the U.S. and Mexico, trade shows, research and more. The Commercial Service, with the goal of helping your American business succeed, provides all of these services.

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Every day, we work with American businesses and potential Mexican contacts in an effort to give you, as exporters, the best possible opportunity to expand your business. Whether it is through e-mail, phone, or fax, our experts are constantly in contact with businesses and government officials on both sides of the border, working to strengthen American trade, one business at a time.

I hope you enjoy this month's newsletter and find it useful in planning your business growth. Our office would appreciate hearing your feedback and would be happy to assist you in any way we can.

Warmest Regards,

Daniel Crocker
Consul for Commercial Affairs

MetalForm Mexico 2005

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METALFORM Mexico alternates each year between Mexico City and Monterrey, effectively covering the entire Mexican metalforming market. The Precision Metalforming Association (PMA), a trade association representing the \$41 billion metalforming industry of North America, sponsors the show along with Trade Show Consulting (TSC), which has been producing shows in Mexico since 1992.

News

New Industrial Park- Juarez, Mexico

The Ministry of the Economy authorized a special investment of 5.2 million pesos to build an industrial park especially for companies devoted to the manufacturing of machined products. “Parque Industrial Articulador de Empresas de Maquinados” will serve to strengthen local suppliers chain for the maquiladora industry. The original request was for 4 million pesos in support; however, considering this project unique in Mexico, the Ministry increased the figure by 1.2 million pesos. According to Gabriel Flores Viramontes, President of Canacintra, the total cost of this new industrial park will amount to 8 million pesos, and Canacintra will contribute more than 2 million pesos to the final cost. Mr. Flores also stated that construction of the industrial park will start next October, when the Ministry of the Economy starts delivering the resources, and the projection for completion is nine months. The new infrastructure will be built in a 1.2 hectares plot of land donated by Juarez Municipality in the Intermex Industrial Park located in the south of the city. A Canacintra representative in Juarez said that the park will host 14 companies devoted to manufacturing machined products. All companies will be provided with “AAA” facilities for offices, 22 ft. roofs, concrete floors with 15 cm. resistance, a loading and unloading area, and a wide parking lot.

Source: Diario Ciudad Juarez

Martin Sprocket & Gear Inc. Expands In Monterrey

The increasing demand for U.S. based Martin Sprocket and Gear products from many different markets and industries has been met by the modernization and expansion of Martin plants. The new plant that opened in La Silla Apodaca Industrial Park is now able to serve a variety of different needs. In December 2005 the plant is going to start operations producing power transmission products.

LG to Invest in Nuevo Leon

LG Electronics is investing \$25 million in an infrastructure expansion project to incorporate refrigerator and washing machine production into its current manufacturing facilities in Nuevo Leon. The company also intends to include the production of air conditioning units in the near future.

German Company Preh to Open in Mexico

Data Systems producer, Preh, has announced that it will open operations in Guadalupe Industrial Park in Monterrey with investments of around \$15 million. This is the first time that Preh has invested in Mexico, and they have chosen Guadalupe Industrial Park as the new location based on the quality of the available labor force.

Grupo Alfa to Build New Plastics Manufacturing Plant

Alfa, a diversified group of manufacturing companies has announced its petrochemical sector, Alpek, through its subsidiary Petrotemex, will build a new plant to produce PTA in Altamira, Tamaulipas. The plant is expected to start producing in early 2007 and estimated production is estimated at 450,000 tons per year, which will double its current capacity.

Cementos de Chihuahua Strengthens its Presence

Grupo Cementos de Chihuahua, a cement production company, will invest \$250 million in three new plants. Of the three plants one will be in the U.S. and two in Mexico. The Mexican plants will be located in Ciudad Juarez with one designated for the production of prefabricates and the other for concrete blocks. Work is expected to be complete by the end of 2006.

Solelectron to Expand Operations in Mexico

Solelectron has announced the opening of a second plant in Mexico that will be located in the Chihuahua Industrial Complex. The new plant will produce equipment such as electronic boards for computer systems, telecommunications and servers.

New Developments in the Automotive Industry

In 2004, production and sales of auto parts in Mexico reached a record of over \$22 billion. This link of the automotive production chain is expected to increase production level by over \$2 billion, to reach over \$24 billion in 2005. Industrial Nacional de Autopartes (INA) estimates an investment of over \$1.2 billion by auto parts manufacturers during 2005. This sector has registered an increase of 10 percent per year during the last 10 years in Mexico. However, the second half of 2005 is showing a steep slowdown of the sector. Although sales of automobiles went up 3.1 percent during this period, production decreased 4.9 percent and exports decreased 6.5 percent.

The installation of new assembly plants and expansion of existing facilities, such as the Toyota plant in Baja California, the expansion of the Nissan plant in Aguascalientes, the Ford Motor plant in Hermosillo, and the expansion of the General Motors plant in Saltillo, have required the installation of new 1st and 2nd tier suppliers for auto parts in Mexico. In order to lower costs in inventory and transportation, Ford and GM are now requiring their suppliers to be located in the very near vicinity of the assembly plant in order to implement just-in-time delivery. GM announced the purchase of \$10 billion worth of parts during 2005, of which U.S. parts manufacturers supply \$8 billion.

With a direct investment of over \$1.2 billion, Ford Motor Co. inaugurated their new addition in Hermosillo, Sonora, Mexico. The company's goal is to assemble 350,000 cars per year. Auto parts suppliers also invested an additional \$400 million in warehouses and buildings within the complex in order to be able to supply parts and components in a just-in-time manner.

Ford announced that its Hermosillo plant will be producing the Ford Fusion, Mercury Milan, and Lincoln Zephyr models, which will be both exported to the U.S. and sold in Mexico. These models will play a crucial role in helping the company to regain its competitiveness in a market that it is rapidly losing to foreign brands.

In other news, a bill was proposed recently that would legalize contraband vehicles operating in Mexico. AMADA (Mexican Association of Automobile Distributors), INA, The Association of Parts manufacturers, ANPACT (National Association of Producers of Autobuses, Trucks, and Tractor-trailers), ANTP (National Association of Private Transportation), CAINTRA (Industrial Chamber) and other prevalent organizations have joined forces in opposing this bill.

CANACAR (The National Freight Movers Chamber) indicated that there are approximately 506,000 trucks and buses in circulation in Mexico, of which 24 percent or about 120,000 are units that were brought in illegally. If Congress approves the bill, it is expected that many more units will be brought in illegally. Producers and distributors of trucks, trailers, buses and other industrial units announced their opposition to this initiative since it would seriously damage their business operations and sales.

Regulatory Changes in Wood Packing Materials

Effective September 16, 2005 the United States, Mexico, and Canada implemented a change in wood packing materials regulations due to an international pest management issue. It is important to be aware of the packaging changes, as they affect regulations of many exports, and a lack of understanding may prove to be costly.

In June 2002, international governments working under the auspices of the United Nations met in Rome and finalized a voluntary regulation requiring treatment of wood packaging materials. Thus was born ISPM 15, the International Standards for Phytosanitary Measures Publication No. 15: Guideline for Regulating Wood Packaging Materials in International Trade. The regulation has been issued and agreed to in 130 countries. Each participating country has chosen a specific date to enact the new requirements. For information for a specific country please visit <https://www.ippc.int/IPP/En/default.jsp>.

To be certified under ISPM 15 wood packaging materials articles must undergo either a heat treatment to a minimum wood core temperature of 56°C for a minimum of 30 minutes or fumigation with methyl bromide. Treatment is mandatory for wood packaging materials including pallets, boxes, cases, packing blocks, crates, drums, load boards and skids. Materials that are not required to go through treatment are, plywood, particleboard, wine and whiskey barrels, oriented strand board or veneer that have been created using glue, heat and pressure, or a combination of these. Veneer peeler cores, sawdust, wood wool and shavings, raw wood cut into pieces of 6mm thickness or less and wood alternatives, such as plastic pallets are also exempt. Information on where to locate a treatment center can be found at <http://www.palletcentral.com>.

In order to prove compliance all required wood packing materials must have visible marking on opposing sides, painted, etched or branded. Paper certificates will no longer be valid. The identity mark will remain valid until the wood is recycled, re-infested, or unusable.

For more questions please contact your customs broker, your shipping company, the U.S Agriculture Trade office in Monterrey, or the U.S. Commercial Service office in Monterrey.

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Upcoming Events

Expomanufactura 2006

March 7-9 , 2006

Monterrey, Mexico

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